

Message Text

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ACTION EB-07

INFO OCT-01 AF-08 ARA-06 EUR-12 EA-07 NEA-10 IO-13 ISO-00

FEA-01 ERDA-05 AID-05 CEA-01 CIAE-00 CIEP-01 COME-00

DODE-00 FPC-01 H-01 INR-07 INT-05 L-03 NSAE-00 NSC-05

OMB-01 PM-04 USIA-06 OES-06 SP-02 SS-15 STR-04

TRSE-00 ACDA-07 PA-01 PRS-01 /146 W

-----032159Z 057660 /62

R 031756Z JAN 77

FM AMEMBASSY PARIS

TO SECSTATE WASHDC 8417

INFO ALL EC CAPITALS 0285

USMISSION GENEVA

USMISSION EC BRUSSELS

USMISSION NATO

AMEMBASSY BERN

AMEMBASSY LISBON

AMEMBASSY MADRID

AMEMBASSY ABU DHABI

AMEMBASSY ALGIERS

AMEMBASSY CARACAS

AMEMBASSY DOHA

AMEMBASSY JAKARTA

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LAGOS

AMEMBASSY LIBREVILLE

AMEMBASSY MUSCAT

AMEMBASSY QUITO

AMEMBASSY TEHRAN

USINT BAGHDAD

C O N F I D E N T I A L PARIS 00094

E.O. 11652 N/A

TAGS: ENRG, FR, SA

SUBJECT: RENEWAL OF FRENCH-SAUDI MINI-CONTRACT

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REF: (A) PARIS 37946 (B) PARIS 29540(NOTAL)

1. DECEMBER 30 EDITION OF BULLETIN DE L'INDUSTRIE

PETROLIERE (BIP), FRENCH OIL INDUSTRY'S LEADING

DAILY TRADE JOURNAL REPORTS ELF AND CFP

REPRESENTATIVES IN SAUDI ARABIA TO SIGN THREE-YEAR,

36 MILLION TON (12 MILLION TONS/YEAR), CRUDE DELIVERY CONTRACT WITH SAG OFFICIALS. CONTRACT COVERS 1977-79 PERIOD AND IS RENEWAL OF RENOWN THREE YEAR (1974-76) 27 MILLION TON DIRECT SALE QUOTE MINI-CONTRACT UNQUOTE SIGNED AT HEIGHT OF 1973-74 OIL CRISIS.

2. MINI-CONTRACT, ALSO KNOWN AS QUOTE JOBERT CONTRACT UNQUOTE, WAS CONCLUDED AT TIME WHEN FRANCE WAS TRYING ITS UTMOST TO CIRCUMVENT MARKET INFLUENCES OF US-DOMINATED MAJOR INTERNATIONAL OIL COMPANIES AND TO ESTABLISH DIRECT SALES ARRANGEMENTS WITH OPEC GOVERNMENTS. PRO-ARAB TILT OF ITS MIDDLE EAST POLICY WAS EXPECTED TO ASSIST FRANCE IN ESTABLISHING SPECIAL RELATIONSHIP WITH OIL PRODUCERS. HOWEVER, MEAGER SIZE OF DIRECT DELIVERY COMMITMENTS SUBSEQUENTLY OBTAINED FROM SAUDIS AND OTHER ARAB PRODUCERS HAS LEAD TO CONSIDERABLE DISILLUSTIONMENT WITH JOBERT'S TACTIC (REF B).

3. AGAINST THIS BACKDROP, WE BELIEVE REPORTS OF RENEWAL OF MINI-CONTRACT SHOULD BE SEEN FIRST AS WINDOW DRESSING FOR PRESIDENT GISCARD D'ESTAING'S UPCOMING OFFICIAL VISIT TO SAUDI ARABIA JANUARY 23-26. CONTINUATION OF JOBERT ARRANGEMENTS WAS TO BE EXPECTED IN ANY EVENT, AND WHILE THEY OBVIOUSLY UNDERLINE FRANCE'S INTENTION TO KEEP OPEN ITS OPTION OF INDEPENDENT OIL POLICY, AMOUNT OF OIL INVOLVED IS STILL TOO SMALL TO EVEN

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BEGIN SOLVING COUNTRY'S ENERGY PROBLEMS. TWELVE MILLION TONS REPRESENT ONLY ABOUT 10 PERCENT OF FRANCE'S PROJECTED IMPORT NEEDS FOR 1977. THIS IS LESS THAN ONE THIRD OF AMOUNT LIKELY TO BE IMPORTED FROM SAUDI ARABIA AND UAE THIS YEAR BY TRADITIONAL MEANS (PRINCIPALLY EXXON AND MOBIL). WHILE GISCARD WILL BE HAPPY WITH ANY NEW DIRECT CRUDE OIL DEALS HIS GOVERNMENT CAN GENERATE, SOBERING RESULTS OF JOBERT'S PRIOR INITIATIVE HAVE LEFT GOF MUCH LESS SANQUINE ABOUT GO-IT-ALONE OIL POLICY.
RUSH

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